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## LAND TENURE AND PUBLIC POLICY

BY WILLIAM KENT

*United States Tariff Commission*

I ask your tolerance for a statement by way of preface.

Many years ago when I was in college, I tackled what was then called Political Economy. I understand it is quite different now, and that some things that were then true beyond dispute are no longer either true or respectable. During the intervening years, I've seen many people and many things, and have wrestled with business and with public affairs. For these reasons it may be that some pages of observation and some deductions therefrom may here be of interest, although contributed by a layman.

It used to be said that Political Economy concerned itself with "the production and distribution of wealth." To the lay mind this would refer to human wealth produced and distributed by human beings. But somehow the human beings we knew escaped from the stage, and instead we looked upon puppets, John Henry, an immortal average, and Mary Jane, his wife, a promiscuous aggregate, while kind old Doctor Malthus acted as godfather to the puppet children of John and Mary. We had Laissez Faire in those days, carrying its happy assurance that, in a world of men, the ebb and flow of things would regulate human morals and promote well-being. We had a rigid constitution, the changeless law of supply and demand, and this at a time when the barkeeper fed us with extra-salt pretzels to create an artificial demand for more beer, and the landlady reached for the pump handle when called upon to increase the breakfast milk supply.

I took these fundamentals seriously, although struggling vainly with the equations and the illustrative diagrams, now known, I believe, as "graphs." I recall how diligently we followed a critical analysis of *Progress and Poverty*, and how cheered we were when we learned that the answer to Henry George's iconoclastic criticism of the unequal distribution of life's favors and privileges was to be found in the fact that as the rich grow richer the poor grow richer also. It was discouraging for me to note, later along in life, that the poor, in a world full of work and of shoes and food, did not always connect with the food and the shoes, although willing to do the work. They might have been richer than they had been, but not rich enough for practical purposes.

Those were the days when labor was paid out of a benevolent

fund, secured and thoughtfully set aside for the purpose of future employment by generous capital. You remember the amiable cartoons that depicted the beaming, rotund-vested capitalist, with plug hat, handing a pay check to the smiling toiler in a square paper cap.

I remember having seen on a blackboard a digest of a college lecture beginning a course in economics. One of the foundation statements was, "All labor is either slave or free." I wondered then, and wonder now, if that is correct. Is there no intermediate ground? Is the hungry man free to select his job, or to name his honorarium?

Getting away from the classic shades, I escaped those dreadful equations and algebraic quantities. It gradually appeared to me that human life and human beings were so uncertain, so variable, that any science based on them as factors could scarcely be exact or mathematical. It seemed that the game of life resembled poker fully as much as it resembled chess. I should have greatly admired watching a clear-thinking, mathematico-economic person, sitting, with his "graphs" and tables of poker chances before him, in a friendly game with an ignorant, crippled gambler known as "One Arm Schimmel," who had never heard of algebra, or of supply and demand, or even of the laws of chance, but who knew and loved the pasteboards, and had "poker sense" and a convenient empty sleeve.

I used to worry much because I could not possibly read philosophy, but a great and good man furnished balm to my spirit.

When I read James's *Pragmatism*, a sunrise came. I learned in this little book that nothing was so, just because something else was so, and that if you wanted to find out whether anything were so, the only thing to do was to try it out, and then, although it might have been so that time, it might never be so again. The relief was inconceivable. Deduction be damned—think of it. A vast, dreary library was destroyed.

It is with an illiteracy condoned, assured, and justified by this heretic book that I appear before you.

I cannot conceive of political economy as clear, concise, or mathematical, but only as an humble striving to adjust human relations so that the butter may be more evenly spread. In such adjustment, there must enter into consideration many relative quantities, possessing changing qualities, such as ethics and human nature, and habit and style, and automobiles and postmasters, and

politicians and policemen, and love and hatred, as well as canned tomatoes and bills of exchange.

In the course of my ramble through life I have discovered that next in importance to the fact that wealth is produced chiefly by human beings, is the fact that it is chiefly produced and distributed on the land, which is inhabited by human beings.

It is because I believe that the land, with its natural content, its assisted product, its allotment, its use, and the form of its tenure, is the greatest and most vital factor in political economy, that I have chosen my topic. My treatment of it can be nothing more than a suggestive sketch. I wonder why so many economists, with the ground presumably attainable by their feet, have so neglected its consideration. The structure of their thought seems to me built on stilts or floated by balloons, just in the measure that they have ignored the land.

We have unfortunately inherited from feudal times a curious anti-social system of landholding, the expanding evils of which no one could have predicted. The King, for reasons that seemed good to him, bestowed upon a retainer a piece of land, and dedicated it to the grantee and his heirs and assigns forever. The land extended down indefinitely—until the world became spherical, when it became an inverted pyramid reaching to the center—and included all things on and above the surface. It might have been granted for service rendered, or to be rendered, or for rent real or nominal. At that time there were none to be considered save the King and those worthy to be his vassals; the natives went with the land, as did everything else except the wild game reserved by the King. As the state succeeded the king, in our republic, the state also retained this game exemption from private ownership, while the actual ownership and transfer of inhabitants amongst English-speaking people had long been abandoned. The grant could be fenced off against all comers save the king, and could be used, misused, or lie unused if only the rental were paid or the service rendered.

We, through the state, have gone a step further. We ask no service or rent for the exclusive privilege, for taxes are supposed to cover all property alike. Such unrestricted tenure is so much a matter of course with us that we accept it as an inevitable factor, and base our thinking on it as a postulate.

Let us see how it works out, by taking a view of things as they

are. It happens that I have dealt in every sort of land, and have often profited without adequate service rendered, and can therefore speak with knowledge of what I have seen and done and met along. My deductions are for your consideration and criticism.

In their order, let us consider the city, the farm, the forest, the desert, mineral deposits, and strategic holdings that control water or water power. What has happened under this exclusive title granted to heirs and assigns forever, and what is being done about it?

The reason given as an afterthought for such unrestricted grants, is that it secures permanence of occupation, a sense of home, and engenders a responsibility often recognized as a prerequisite qualification for suffrage.

Let us turn to the great city. The great city is no moral bug-a-boo to me. It is bad in spots and greatly good in spots. It is not socially hopeless, and as a focus of human life it is marvelously interesting and productive of thought and progress. Economically, the great city assembles people for many forms of intensive production, and by the mechanical virtue of propinquity aids in the processes of distribution. There are opportunities for the development of art and science, and other amenities that go with the coöperative possibilities of dense population.

But after all is said, the great cities are, in their growth, and because of their overgrowth, the worst pestilence to our economic welfare. That overgrowth is stimulated by the speculative form of title. Their development is not only excessive in amount, but abnormal in form, and out of it all there is engendered a parasitic privilege that is eternally ruinous.

New York, because the biggest, is the best example we have. People have crowded into a narrow island, lured thither by various calls. Some to manufacture, some to distribute, many because the city, with its excitement and its human interests, is there, and they feel an impulse toward it akin to the attraction of gravitation.

Because of the form of land tenure, they bid up the prices of the surface beyond reason, the cry is raised that land in the air is cheap, and up go the skyscrapers and up goes the value of the land upon which they rest. The big buildings shut off light and air from the streets; they fill them to overflowing from their vast floor areas. Then noisy, stifling elevated railways are needed to relieve the surface traffic, and land values increase and buildings go higher. Finally, mile upon mile of tunnel is built through solid rock, to carry the millions, many of whom are worse than unproductive.

The city defies the law of supply and demand. It finds all sorts of useless and unproductive employment. It invents jobs that cater to luxury; it provides endless tasks in increasing its own overgrowth. It is a case of round and round in a vicious circle.

Stop to think of the millions of strong, able laborers that have dug the useless tunnels, that have built too many skyscrapers, and have paved and dug up and repaired too many streets. Think of the waste of unnecessary private service that has accompanied city extravagance.

Think of what this labor might have done to drain the swamps, to clear the land, and to serve our needs in food and fiber production. Think of the wasted material, and realize the thousands of miles of country roads that could have been installed to bring our food supplies to those that need them.

Waste of labor, waste of material is doubly wasted because it has served to vastly increase the value of land held in fee simple, and upon which value, rents are to be charged by heirs and assigns forever.

The speculative dealings, as apart from the legitimate service of catering to residence, office, and factory needs, have created a large class of highly paid and utterly unproductive dealers in real estate. The central congestion has driven millions to suburban subdivisions with their irresponsible, disconnected systems of streets and sewers.

Artificial values are created for landowners, by forced installation of transportation, and the whole incoherent development is an increasing charge on useful production, as long as the city continues to grow, and as long as the real or artificial demand for land can be kept up.

The city is a social institution that is subject, like other institutions, to disorders and diseases, but there would not be the same drive toward waste were it not for the carefully planned and fostered boom spirit engineered to the end of increasing the value of privately owned land.

What have the Astors done that they should levy toll on land quoted at a thousand dollars a square foot? Whence comes this toll, and why should we continue a system that induces such phenomena?

It would be unjust to confine the arraignment to the big city. Every town in the country points with pride to its increasing population and rates its rising real estate values as contributions to the

aggregate wealth of the nation, whereas those values demand the blood of production and commerce. They are the leeches of privilege.

It is popularly and generally admitted that watered stock, at least in public utilities, is not an evidence of wealth, and that if it pays dividends the community is being robbed. Our greatest public utility is land. Its rentals, based on community created demand, are dividends on watered values, but are seldom so considered.

Let us take an instance of what might have been done under other conditions. The City of Washington offers a simple illustration. Washington is neither a producer nor a distributor. It is merely the seat of the federal government. Since the time of its founder it has been subject to land speculation. It is stated that the Capitol faced what was to be the future city, but that forehanded people obtained the high land to the east and placed upon it such values that the population crawled around behind the Capitol into the swamps of the Potomac. Then down through more recent years of land speculation, largely at federal expense, great arterial streets have been forced out into the country, often as real estate projects. For well over a hundred years successive generations of speculators have carried away the proceeds derived from the need of others, and there seems no end to the story. Let us suppose that fee simple title, with its speculative possibilities, had never been granted in the City of Washington. Let us suppose that as fast as people desired to put up dwellings, they had been permitted to do so under reasonable leases, perpetual, if you choose, on proper conditions and in specified places. Washington would then have had an orderly growth. The rentals accruing would have built all necessary streets, would have provided every possible modern convenience, and the people would have paid in ground rent probably not a tenth of what is now being paid. There would not have been the craze to subdivide far outside of necessary boundaries, with all the waste incident to miles of unnecessary streets, but instead there would have been a well-ordered arrangement, infinitely less expensive and wasteful than what has grown up in the Capital City.

Before we leave the city, we ought to consider whether this form of title engenders the home feeling, the sense of permanence and responsibility. The shifting scenes of fashionable neighborhoods, the increase of residence hotels and apartment houses, give the answer.

When we consider agricultural lands we find the same curse. We find that every improvement in transportation, whether by rail, canal, or road, at once results in higher land prices, in higher land rents, and therefore in higher cost of production, if people are permitted to charge up their rents or interest on land value as part of their producing cost. The man who would pay for his land out of its product finds that it must be done either out of more years of crops and of life, or out of higher prices from the man who eats. The McCormicks produce the harvester. Up goes the price of wheat land. Does Ford invent a tractor? Farm lands being made more productive, immediately advance in price, and neither consumer nor farm tenant gets the advantage, because at one end the farm owner can raise his proportionate rent, and at the other there is no reduction of prices for foodstuffs. Farm land, just like city lots, is oftentimes held out until the need and the breeding capacity of others call for its use. Then there stands at the gate the fee simple owner to charge in rent or in purchase price the value created by the work of others. State and national highways and railroads add to the value that the owner may capitalize. The inevitable tendency of increasing speculative values, or inherent values if you prefer, is to permit and to encourage tenancy, and to make permanent acquisition more difficult.

The fortunate owner of productive land can move to town and authorize a tenant to farm on shares, while he is enabled to live without making contribution to the common pot.

Tenant farming is so thoroughly recognized as inferior farming that I shall not stop to discuss the soil depletion and the skimming process that are its usual concomitants, lease terms to the contrary notwithstanding. The steady tendency of settled farmers to move to new speculative fields, as from Iowa to the Canadian Northwest, belies the theory of permanency.

To my mind one of the greatest bits of thought-inspiring philosophy is found in William Vaughn Moody's poem "The Brute," wherein he expresses the hope that invention, power, now ugly and destructive, and machinery may one day be harnessed to the chariot of human welfare.

We have wondered why the millions of man-power added to productive capacity, by machinery, have not abolished poverty and need. We are forced to the conclusion that they have largely been wasted in folly and absorbed by privilege. It is my contention that in our form of land tenure rests the chief privilege and a great source of social folly.



Let us consider for a moment the history of our timber lands. Their owners, and the word carries with it an impossible impudence, have felt the need of skimming them off and realizing on them in one short lifetime. As a result there have been scandalous and criminal wastes of material for which our country will some day stand in urgent need. The white pine is gone, probably 30 per cent of it wasted in heedless operation. The interspersed hemlock and other inferior timbers have largely been a total waste. Fire has completed the destruction of the badly logged areas. There never was any benefit derived by the legitimate industry of lumbering from this private ownership of the land itself.

In the case of timber land investment, as in other speculative dealings, great fortunes have been made by the increasing demand and the diminishing supply. But this is not part of logging or lumbering operations. Some years ago timber land bonds were placed on the market in great quantities. They had back of them a diminishing indispensable natural resource; nothing could appear more inherently solvent. But the interest on these bonds could only be paid out of lumber production. The equity holders were forced into cutting the marketable portion of their timber at any sacrifice of material or profit.

Many a lumber company is on the verge of bankruptcy, because it has mixed its manufacturing operations with timber speculation, and the public loss is irreparable. Any attempt to relieve the situation as concerns the public interest, by increased annual taxation, only hastens the destruction and the waste. A harvest tax is needed, and that is hard to plan under any present system that calls for uniform taxation based on value. A rational policy of withholding title, and selling ripe and needed stumpage to those who would harvest it decently, would have been vastly better for the legitimate lumber trade, and of immeasurable public value.

Our coal measures have largely gone with the land surface. Only lately has there been any attempt to separate the surface and the underground content. The wastes incident to the production of coal have been in life as well as material. That there has been no reasonable excuse for fee simple grant in coal lands is evidenced by the vast numbers of private leases. If tenure had been retained by the public, and public leases had controlled, the story of our fuel supply would have been different in every respect. Transportation agencies would not have been permitted to discriminate against localities or ownership; there would have been a stabilized,

controlled industry, permitting decent standards of living, and one of the most shameful chapters of cruelty, greed, and waste would not have been written into our history.

The story of our petroleum resources is next in point. We see "Coal Oil" Johnny debauching and celebrating, on the proceeds of what should have been common property. We see the Standard Oil Company through early ownership of the oil fields efficiently destroying its rivals and piling up power that threatens the Republic. We see booms and frauds and burning wells, and wasted oil pools, and a pressure to export a vanishing resource of incalculable value which cannot be replaced.

If we, the people, were not capable of producing our own oil from our own land for our own ships, are we not a little unreasonable in telling our uncertain friend Carranza what he should do with Mexico's supply?

The best of our iron ore has been found outside the boundaries of what has been technically designated as mineral lands. It was and is held in fee simple, to heirs and assigns forever. This iron and its accompanying coal have apparently made good the Niagara of water poured into the Steel Trust, upon which we and our heirs forever are expected to pay dividends.

The story of our grazing lands is similar. They have gone into private ownership under all sorts of legitimate and fraudulent conditions. Where they are efficiently managed and made productive, we usually find that they have been accumulated in extremely large units. Sometimes the land is largely owned. Sometimes it is enough to own the strategic points, like watering places. Unless something is done about it, the day of the small self-respecting stock raiser in the Western States is gone, except as he finds opportunity to graze on the Forest Reserves, on a rental basis, and these Forest Reserves are continually being attacked by demagogues on one side and pirates on the other.

Strategic points controlling water power have also largely drifted into private hands, so that here, too, there may be secured perpetual payment to privilege, under the royal tradition of fee simple title. Everywhere we look we find the same abuses and we find alongside of them inefficient efforts to reclaim grants once heedlessly given. There is no better illustration of the fallacy of such unproductive tenure than that of the man standing on a bridge over a flooded river and catching driftwood. When approached by a neighbor who asked to share the privilege, the man

who was first on the bridge made a deal, whereby the neighbor caught the wood for half of what he caught. The people of northern Mexico, who from prehistoric times inhabited and believed they owned the land and whatever they produced upon it, suddenly awoke to find that, under the beneficent rule of Diaz, the land had been granted from under them, and they were thereafter allowed half of what they produced. Such an illustration as this is obvious, but we fail to see our own similar procedure or to apply a remedy. There is something wrong here, a living by the sweat of another man's brow.

I wish some young man with a head for figures would spend a year in discovering how much unearned rent goes into the cost of a ham, that the man who is digging in the city sewer would like to buy, if he had sufficient wealth. Farm, stockyards, railroads, and city tenancy would all contribute their quota.

I have neglected to consider another phase of this speculative landholding. I recall a Nebraska county which was held as an Indian Reservation, wherein no land could be granted to the Union Pacific Railroad. Not being able to secure lieu land, the railroad, for the sake of land grant, made a 50-mile detour around this particular county and thereby has burdened western railroad transportation to that extent apparently forever. In city and county alike, speculative landholding has warped the progress of orderly development. In Seattle an interurban company deliberately raised its round trip fares from 15 to 40 cents and thereby destroyed all value in a large working people's settlement. The same outfit, by deliberate shift of transportation facilities, changed the values in the center of the city to real estate which it speculatively held.

A common feature in mining booms is gambling in lots, utterly unproductive, and absorbing capital that could be used for production. It is a game of "Button, button, who's the beer on?" because all players know that the last man will lose. The amount of capital rotting out in abandoned speculative boom towns, is beyond computation. It is all a tribute to this wild idea of handing over to private individuals, their heirs and assigns forever, portions of the earth's surface, to do with as they see fit.

We owe to Henry George the impulse toward the destruction of the landowning privilege, and must credit him as a great pioneer in democratic thought. But the name "Single Tax" is unfortunate, and George's essential idea in advocating such a tax is often misunderstood.

Taxes, as I see them, fall into two general categories— revenue taxes and remedial taxes. If we could conceive of a community whose members possessed an equality of wealth and of opportunity, and felt under the need of raising revenue for a common purpose, the best method would probably be found in a plain, straight ahead poll tax. Questions of import or export taxes might be considered as securing better foreign trade conditions, or for altering domestic production or distribution, but for revenue purposes there would be no need of complicating the process of taxation, with the end of adjusting intra-community relations, through taking from one for the benefit of another.

The Single Tax, or the covering into the treasury of community created value, is essentially a remedial tax, intended to abolish privilege and to release and encourage production. It has been urged, as its name would imply, as a sole and sufficient source of permanent public income, and it has, moreover, been extolled as the only tax needed for either revenue or reform.

The confiscatory tax that eliminated state bank currency, and the extortionate internal revenue taxes on alcohol for drinking purposes, show a trend toward adopting other remedial taxes. Protectionists urge a remedial need for their system of customs levies. The necessary stretching of our rigid Constitution, in its weakest point, will be found in practically prohibitive taxation under the interstate commerce clause.

As a revenue measure, the single tax will, if logically carried out, tend to extinguish itself. Unless land tenure be accompanied by the privilege of retaining at least a part of the unearned increment, there will be no reason for the individual to collect his privilege rent and thereafter return it to the state. Just as in the case of cut-over lands, which were once not considered as having any value, there will naturally be a reversion to public ownership, and thereafter the state, instead of farming out the privilege of taxation through landowning, would logically become the land-owner, and the judge of the rental value.

I have been greatly interested in the great Palestine Zionist project. Its able architects have planned a structure wherein the title of all land remains in the commonwealth, and perpetual leases control its use. A devoted follower of Henry George said that the plan was based on single tax. It is based on Henry George's teaching, but instead of adopting the single tax, it makes that remedial measure unnecessary, and as it prevents the growth of a tax-

able privilege, it cuts off that source of income. It represents public renting, the assumption by the state of the simplest method of adequate control.

Speaking of Zion calls to mind the Dowie experiment that bore the name. The land upon which Dowie's Zion City was built was bought in a wild state, and title held by that wonderful autocrat. After crusades to New York and other so-called sinks of iniquity, which were immensely costly, after ill-managed and unprofitable business ventures, the funds of the faithful were dispersed, Dowie died, and Zion was bankrupt. The receivers sold the land at community-created prices and, to the best of my knowledge, there was a redemption, a repayment for waste and folly, out of values which the prophet had intended to reserve for his people.

In summing up, I arraign this traditional fee simple title for many economic and social crimes and misdemeanors, and I cannot distinguish between the economic and the social.

It has contributed a great impulse to the overgrowth of our cities and towns, and to the depletion of our agricultural areas; it has lessened our food supplies and increased their costs; it has created idle classes, farm tenancy, and bad agriculture.

It has destroyed our forests, wasted our coal supplies, cascaded our petroleum.

It has encouraged private monopoly and resultant extortion and has encouraged malevolent activities by our own common carriers.

More than any other privilege it has permitted men to reap where they have not sown. It has, like a sponge, sopped up general benefits and deprived society in general of what was due from inventions and improvements.

It levies, and unless corrected, will levy, perpetual tribute on the production and the distribution of wealth.

An extraordinary phase is that the institution perpetuates many of these iniquities without involving moral turpitude on the part of the beneficiaries. Landowning is part of our history, our traditions, and is a badge of respectability. The landowner faces the assessor with the belief that he, and he alone, is supporting the state.

What are we going to do about it?

First of all we must realize the situation and add our voices to those who have long seen the point. We must know and must teach the wrongs involved.

It is a strange thing that while we are endeavoring to curtail and control the rights already granted, we are continuing to grant the same rights. There should be no further alienation of public property into private hands under any policy, save that of lease, where control is easy, and the penalty is cancellation. There is always the power of taxation, sovereign and unlimited, which can drive needed and unused holdings into use, and can absorb the privilege tribute of unearned rent.

There are great possibilities of control through state and nation; and, finally, if we are willing to take time, and in our thinly settled country we can take more time than some other nations, we can, through inheritance taxes, destroy private titles that grant speculative and oppressive privileges, and return the land to the public with the assurance of its subsequent proper occupancy.

Before the inheritance tax can ever work out, without destroying production and wrecking the useful industrial application of large estates, there must be consideration given to the necessity of levying taxes in kind as well as in cash. There is much to be feared from the process of selling estates on the bargain counter, in order that the state and nation may put a portion of the proceeds into the public treasury. There will, in many cases, result great damage with little profit, something like what happens when lead pipe is stolen from a vacant house. But in the case of landholding, the inheritance tax if taken in kind may be levied so as to destroy title, without necessarily destroying occupancy. It may be used as a method whereby the public, in its resumption of title, can eliminate with the least disturbance this economic nightmare—the fee simple title to land.